

Canada: October employment. Net jobs +3K. Unemployment 7.9%

Numerically disappointing, qualitatively satisfying.

Net jobs growth in October was a disappointing 3K. Hardly the stuff of legend and not nearly enough to absorb the gains in the labor force associated with population growth alone. The yardstick on that measure is around 23K per month.

And although the unemployment rate declined by -0.1ppt to 7.9%, our enthusiasm is tempered by the fact that it was a function of the participation rate falling 0.1ppt to 67.2% which knocked back the size of the labor force.

It would appear that gone are the days in which the Canadian economy would throw off fantastically strong jobs growth. Recall that in H1/10, the Canadian economy generated 308K jobs, a number consistent with what one would expect to see over the course of a year rather than just 6 months.

On both accounts, the unemployment rate and net jobs growth surprised street expectations. On the downside, street forecasts for net jobs growth were looking for a pick up of 15K. On the upside, the unemployment rate was expected to have remained at 8.0%.

Although there is certain to be market disappointment with the headline number on jobs growth, the mix of factors lurking below the report, while less clear, none the less, lean more encouragingly towards a firmer jobs picture. One that is in keeping with the view to economic recovery.

Key elements to note in the October report: I) the rollover in part time employment (-44.2K) into full time jobs growth 47.2K; II) the shift from self employment (-24.1K) on over to the employee category 27K; III) the recovery in goods producing jobs 35.8K. Goods producing industries being the area of the economy that bore the brunt of economic recession. So too is it the one area that we look to see jobs recovery. And finally, Statcan points out the employment in the category men aged 25 to 54, particularly hard hit by recession, is now at a point just below its pre recession employment levels.

Net, net, while the report may be lacking in numeric terms, we would suggest that it makes up for it in qualitative elements. Always suspicious of the self employed category during times of recession (this is a household survey afterall) we are encouraged by the shift out of this category to more formal forms of employment. So too the move away from perhaps less than suitable part time employment on over to full time is encouraging and indicative of a qualitative improvement. And of course right or wrong, goods producing jobs tend to be considered those "good jobs" and in this report, the pick up in manufacturing +9.9K and construction +20.8K will be viewed as growth in quality jobs. On the other side of the ledger, the 28.9K decline in retail and wholesale trade services will be seen as the loss of lower quality jobs.

Overall, employment levels have returned to their pre-recession levels although as Statcan points out, in October 2006 the unemployment rate hovered at 6.2% well back of the current 7.9%. Although the economy may have stopped growing in 2008/09, the population didn't.

Disclosure appendix

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